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SUBJECT: EGYPT'S ECONOMY: October 26 PRESS ROUND-UP

11. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Egypt Rejects World Bank's Call for Electricity Price Increase

12. (U) Aktham Abu El Ella, Undersecretary of the Ministry of Electricity, announced that the Ministry rejected World Bank proposals for price increases in electricity. The World Bank submitted a study to the Government of Egypt (GOE) recommending six different methods to increase prices on electricity during peak hours, bringing Egypt's prices closer to global standards. The GOE heavily subsidizes the cost of electricity, and rejected price increases on the grounds that they would be a difficult financial burden for many citizens (Al Masry Al Youm, 10/18/2009, Al Shorouk, 10/19/2009).

Egypt Protests EU Ban on Egyptian Potatoes

13. (U) Saad Nassar, Senior Advisor to the Minister of Agriculture, is protesting the European Union's new ban on importing Egyptian potatoes. Egypt and the EU have been in a dispute for the past two months over whether the number of detections of brown rot, a plant disease, in potato shipments from Egypt actually exceeds the limit agreed to by Egypt and EU plant quarantine authorities, which caused the EU to impose the ban. The EU maintains that its move is legal under the terms of the Egyptian-European Partnership framework, while Egypt has suggested that the EU's ban amounts to unfair protectionism (Al Masry Al Youm, Al Ahram, 10/21/2009).

Agreement Will Link the Egyptian and London Stock Exchanges

14. (U) The Al-Mal newspaper reported that the Egyptian Stock Exchange signed an agreement with London Stock Exchange linking the two markets. The agreement will allow foreign investors to have full access to Egyptian companies, and Egyptian investors will have direct access to British and American companies. The new system will be formally implemented in the second quarter of 2010 (Al Mal, 10/22/2009).

EGX Suspends Trading to Fight Speculation

15. (U) The chairman of the Egyptian Stock Exchange (EGX) temporarily suspended trading on 26 companies on October 11, citing severe speculation. Directors of four different securities brokerages praised the step as a mechanism to fight irrational movements of the stock prices, while some of the companies whose stocks were suspended argued the exchange should have issued a warning before taking action against them. To date, very few of the 26 companies

have been able to return to being traded on the exchange, with the majority still suspended (Al Alam Al Youm, Al Mal, 10/14/2009).

Big Losses for Public Weaving Companies

¶6. (U) New estimates indicate that the 35 Egyptian public weaving companies will suffer annual losses of LE2 billion (US\$364 million), roughly the same amount the companies lost last year. The new estimate led to calls for rapid privatization of the companies, based on the public sector's inability to modernize and labor inefficiency, which make it unable to compete with the private sector. (Al Alam Al Youm, 10/18/2009).

Internal Disagreement in the NDP over Privatization

¶7. (U) Egypt's Minister of Investment Mahmoud Mohieddin and the Secretary General of the ruling National Democratic Party (NDP), Safwat El-Sherif, took contradictory stances over the country's privatization program. Mohieddin asserts that the government will move forward with selling private shares in state-owned enterprises, while El-Sherif stated that the program was not a priority (Al-Mal, 10/25/09).

Egypt to Allocate New Stimulus Funds

¶8. (U) The Egyptian Minister of Economic Development Osman Mohamed Osman announced that the government is planning to allocate an additional LE10 billion (US\$1.8 billion) in economic stimulus money, on top of the original LE15 billion (US\$2.7 billion) stimulus package it had budgeted in response to the global economic crisis. 90% of the new LE10 billion outlay will be devoted to water, sanitation, and infrastructure projects, Osman stated (al-Mal, al-Masry al-Youm, al-Akhbar, 10/25/09).

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